

STATE OF CALIFORNIA
CAPITAL OUTLAY
BUDGET CHANGE PROPOSAL (COBCP)
COVER PAGE (REV 11/99)

DEPARTMENT OF FINANCE
915 L Street
Sacramento, CA 95814
IMS Mail Code: A15

BUDGET YEAR 2004-05

ORG CODE: 1730 COBCP NO. 1 PRIORITY: 1 PROJECT ID: 90.01.090

DEPARTMENT: Franchise Tax Board

PROJECT TITLE: Mail Operations Safety

TOTAL REQUEST (DOLLARS IN THOUSANDS): \$3,598 MAJOR/MINOR: Major

PHASE(S) TO BE FUNDED: C PROJ CAT: FLS CCCI/EPI: 4019

SUMMARY OF PROPOSAL:

This proposal requests a capital outlay appropriation in the amount of \$3,598,000 to fund facility improvements that upon completion would safeguard FTB employees against biohazard threats while ensuring the sustainability of the service structure that generates the majority of the State's General Fund revenues.

Such resources will be used to enclose and isolate the conventional and priority mail handling service areas and shipping/receiving operations, including air ventilation systems, within FTB's existing Central Office Phase I. The recommended engineering controls contained within this proposal are based on applicable standards established by the Centers for Disease Control and Prevention (CDC).

HAS A BUDGET PACKAGE BEEN COMPLETED FOR THIS PROJECT? (E/U/N/?) N

REQUIRES LEGISLATION (Y/N): N IF YES, LIST CODE SECTIONS: _____

REQUIRES PROVISIONAL LANGUAGE (Y/N) N

IMPACT ON SUPPORT BUDGET: ONE-TIME COSTS (Y/N): N FUTURE COSTS (Y/N): N

FUTURE SAVINGS (Y/N): N REVENUE (Y/N): N

DOES THE PROPOSAL AFFECT ANOTHER DEPARTMENT (Y/N): N IF YES, ATTACH

COMMENTS OF AFFECTED DEPARTMENT SIGNED BY ITS DIRECTOR OR DESIGNEE.

SIGNATURE APPROVALS:

PREPARED BY: _____ DATE: _____ REVIEWED BY: _____ DATE: _____

Pending Board Approval

DEPARTMENT DIRECTOR DATE

AGENCY SECRETARY DATE

DOF ANALYST USE

DOF ISSUE # _____ PROGRAM CAT: _____ PROJECT CAT: _____ BUDG PACK STATUS: _____
ADDED REVIEW: _____ SUPPORT: _____ TIRU: _____ FSCU: _____ OSAE: _____ CALSTARS: _____

STATE OF CALIFORNIA
CAPITAL OUTLAY
BUDGET CHANGE PROPOSAL (COBCP)
NARRATIVE PAGE (REV 11//99)

DEPARTMENT OF FINANCE
915 L Street
Sacramento, CA 95814
IMS Mail Code: A15

BUDGET YEAR 2004-05

ORG CODE: 1730 COBCP NO. 1 PRIORITY: 1 PROJECT ID: **90.01.090**

Using the attached page, follow the format outlined below and fully address all of the items. Use addition pages as needed. Certain projects may require additional information. Questions should be referred to DOF.

A. **PURPOSE OF THE PROJECT:** (problem, program need, infrastructure deficiency)

FTB's existing Central Office facilities lack sufficient safeguards to protect its employees from biohazard threats, specifically those workers that are tasked with the receiving, processing, distributing and collecting of mail, parcels, heavy freight and printed matter. These buildings are not equipped to detect nor contain infectious spores that could become aerosolized (made airborne) during the operation of high-speed mail sorting machines or in the course of routine mail handling processes. Infectious spores released within the facility could infiltrate the buildings heating, ventilation, or air-conditioning (HVAC) systems prompting an immediate evacuation of all personnel and closure of the building until the premises have been determined safe for re-entry.

Extended closures of these buildings would shutdown the service structure that generates the majority of the State's General Fund revenues and significantly impact other state programs that conduct business with the FTB. Any delay in deposits could have a significant impact on the State's cash flow and impede the state's ability to meet its ongoing liabilities. To ensure employee safety and ensure that revenue production activities are not interrupted, FTB must completely isolate via hard-walled construction all mail operation-processing areas from the remaining portions of the existing buildings and modify the existing air ventilation systems in the new hard-walled areas.

A study was conducted by FTB last year in which engineering controls in various mail-center and document-processing facilities including the IRS, Post Office, EDD, SCO and other departments was evaluated. For years, **these departments isolated via building design the mail operation areas** based on standards recommended by CDC, the US Postal Service, and Industrial Hygienist and Biohazard Consultants. The CDC, Industrial Hygienist and Biohazard Consultants also advocate the installation of HEPA filters in HVAC systems that house mail operation functions. The physical compartmentalization of these building spaces allows for the immediate shut down of the affected areas therefore reducing disruption to critical business functions elsewhere in the building.

Given recent incidents that have occurred nationwide involving anthrax contamination, FTB implemented several interim controls to address immediate worker safety concerns during the last fiscal year. Demountable floor to ceiling walls were installed around the interior perimeter of the mail operation areas to prevent unauthorized employee and visitor traffic. Unfortunately, these countermeasures do not reduce the risk of exposure to infectious spores that could promulgate through the ventilation system.

For instance, anthrax spores were detected in several Capitol office buildings after an aide inadvertently opened an anthrax-laden letter on Oct. 15, 2001. This letter had passed through the congressional mail system contaminating several buildings including the largest of the U.S. Senate's office buildings. This building was shut down for nearly three months and officials estimated that the cost of the entire cleanup effort exceeded \$20 million.

Due to continued concerns that FTB remains vulnerable to potential biohazard exposures, this capital outlay proposal is being submitted to address the costs for preliminary plans, working drawings and construction. This proposal consists of the contract costs to construct floor to deck hard walls and modifications to the existing HVAC system to provide dedicated systems with HEPA filters that exclusively service the department's mail handling and processing areas.

B. RELATIONSHIP TO THE STRATEGIC PLAN: (relevance of problem/need to mission and goals)

FTB is responsible for sixty-one percent (61%) of state revenues. Vital to the processing and collection of these revenues is the 30 million returns/payments/documents that are processed through the department's mail operation infrastructure each year. One letter containing biohazardous materials has the potential of shutting down all operations, not just processing, at FTB's Central Office for a considerable period of time. A closure of FTB, depending on the duration, could have significant negative impacts to the General Fund as well as the other state programs that conduct business with the FTB.

As mentioned previously, a delay in deposits could have a substantial fiscal impact on the state's cash flow. It is difficult to estimate the full monetary impact to the state; however, a shut down of the processing areas for one day in April could delay cash flow by \$476 million not including the revenue loss from the interest earned on daily deposits. The possible loss of state revenues and need for employee safety make it imperative that all feasible and economical measures to reduce the aforementioned contamination risks be taken.

The mission of FTB is to efficiently, effectively and fairly administer income tax and other programs entrusted to it, and to collect revenues needed to serve the people of California. This COBCP is fully supportive of the FTB's Mission, Goals, and Objectives as outlined in FTB's Strategic Plan.

- ❖ *We are committed to building a strong organization.*
- ❖ *We deliver efficient and high-quality business results for the public.*

C. ALTERNATIVES:

Alternative 1: Provide \$3,598,000 to isolate the mail operations within the FTB Central Office.

This alternative proposes to construct new floor to deck hard walls and provide a separate HVAC system equipped with HEPA filters that will fully enclose the mail

operation areas. In the event of a facility contamination, these improvements would reduce the risk of exposure to the staff housed within the Central Office and ensure continuity of the State's cash flow. Implementation of this recommendation will not affect workflows, or require additional facilities or staff. The timeline indicates completion by March 2005. Due to the potential and continued risk of threats, FTB will move forward to request an emergency certification to accelerate the schedule for early completion.

Alternative 2: Provide \$7,428,000 to Relocate the Receiving Section to FTB's Central Office Phase 2 Building. This does not include support costs of \$3,487,000 that would be requested in a separate Finance Letter.

This alternative would cause disruption to the flow of work between all mail processing areas and requires additional facilities and staff. FTB estimates that this alternative would result in a loss of two hours of production each day, and negatively impact interest revenues.

Alternative 3: Relocate FTB Mail Operations Off-Site. This alternative will not require capital outlay funding but will require support funding of \$3,878,000 that would be requested in a separate BCP.

This alternative creates an *annual interest revenue loss of \$4,132,000*. Although feasible, it is not efficient or effective as it would create at least a day delay in processing documents, returns, and payments. This delay would significantly impact interest revenue. It would also create undeterminable losses in production areas due to the slowing of workflow throughout the department. This alternative would also require additional resources: truck driver, messenger and security staff, transportation (purchase trucks and vans), cages, batch trucks and pallets to maintain an adequate workflow. It is also in direct opposition of FTB's Phase III objective to consolidate all FTB staff at one central location at the expanded Butterfield office facility.

D. RECOMMENDED SOLUTION:

1. Which alternative and why?

Alternative #1 is the recommended course of action as it allows FTB to meet its strategic goals at the least impact to staff, facilities and state revenues. This solution would enable FTB to take the appropriate steps recommended by the CDC, Industrial Hygienist and Biohazard Consultants, to detect and contain, monitor and identify biohazard spores.

2. Detail scope description.

In order to accomplish this goal, the modifications to the FTB's Central Office location will consist of design and construction of permanent floor-to-deck hard walls to enclose approximately 50,000 square feet of space in the first floor of Building 1 to isolate the mail operation areas from the rest of the building. A modification of the HVAC mechanical system will be made to provide a dedicated system with HEPA filters for this area. Renovations also include constructing a mechanical room to house a new air handling unit and four new exhaust fans with HEPA filters. In addition, the existing fire sprinklers will be modified and additional overhead lighting will be installed.

3. Basis for cost information.

FTB obtained a written estimate from Department of General Services (DGS) that identified the prospective costs of the required alterations to the facility based on design appropriate objectives developed by various resources including Biohazard Consultants.

4. Factors/benefits for recommending other than the least expensive alternative.

This alternative prevents an annual interest revenue loss and will not cause disruption to the workflow between the critical mail processing areas nor requires additional facilities or staff.

5. Complete description of impact on support budget.

A support BCP for FY2004/05 will be submitted to request funding for equipment related to the capital outlay project. This funding request will allow the department to fully meet its objectives in addressing biohazard threats.

6. Identify and explain any project risks.

There are no project risks identified at this time.

7. List requested interdepartmental coordination and/or special project approval (including mandatory reviews and approvals, e.g. technology proposals).

The Department of General Services Project Management Branch (PMB) will be assigned principal responsibility for project coordination. Formal reviews during the design development and construction document phases will be made by the PMB and the FTB. All other regulatory and statutory requirements including State Fire Marshall and Access Compliance will be met.

In accordance with Executive Order D-16-00, our goal is to site, design, deconstruct, construct, renovate, operate and maintain state buildings that are models of energy, water and materials efficiency; while providing healthy, productive and comfortable indoor environments and long-term benefits to Californians. Design and construction of this project should include the implementation of sustainable building practices in a cost-effective manner that, among other things, uses extended life cycle costing and adopts an integrated systems approach.

	A	B	C	D	E	F	G	H	I	J
1	STATE OF CALIFORNIA									Budget Year 2004-05
2	CAPITAL OUTLAY BUDGET CHANGE PROPOSAL (COBCP)									Org Code: 1730
3	FISCAL IMPACT WORKSHEET									COBCP #: 1
4	Department Title:		Franchise Tax Board						Priority:	1
5	Project Title:		Mail Operations Safety						Proj ID:	90.01.090
6	Program Category:		FLS						MA/MI:	MA
7	Program Subcategory:									
8			Existing Authority	January 10 Action	April 1 Action	May 1 Action	Special Action	Net Legis Changes	Project Total	
9	FUNDING									
10	org-ref-fund-yoa-yob	ph	action							
11	1730-301-0001-04-04	PP	BA							301
12	1730-301-0001-04-04	WD	BA							238
13	1730-301-0001-04-05	C	BA							3,059
14										0
15										0
16										0
17										0
18										0
19										0
20										0
21										0
22										0
23										0
24										0
25	TOTAL FUNDING			0	3,598	0	0	0	0	3,598
26	PROJECT COSTS									0
27	Study									0
28	Acquisition									0
29	Preliminary Plans			301						301
30	Working Drawings			238						238
31	Total Construction			0	3,059	0	0	0	0	3,059
32	Equipment (Group 2)									0
33	TOTAL COSTS			0	3,598	0	0	0	0	3,598
34	CONSTRUCTION DETAIL									0
35	Contract			2,401						2,401
36	Contingency			168						168
37	A&E			199						199
38	Agency Retained									0
39	Other			0	291					291
40	TOTAL CONSTRUCTION			0	3,059	0	0	0	0	3,059
41	FUTURE FUNDING			0	0	0	0	0	0	0
42										
43	SCHEDULE			mm/dd/yyyy	PROJECT SPECIFIC CODES					
44	Study Completion			N/A	Proj Mgmt:	G	Location:	FTB Central Office		
45	Acquisition Approval			N/A	Budg Pack:	N	County:	Sacramento		
46	Start Preliminary Plans			7/1/2003	Proj Cat:	FLS	City:	Rancho Cordova		
47	Preliminary Plan Approval			11/15/2003	Req Legis:	N	Cong Dist:	5		
48	Approval to Proceed to Bid			4/30/2004	Req Prov:	N	Sen Dist:	5		
49	Contract Award Approval			8/15/2004	SO/LA Imp:	N	Assm Dist:	10		
50	Project Completion			3/1/2005						

	A	B	C	D	E	F	G	H	I	J
51	STATE OF CALIFORNIA								Budget Year 2004-05	
52	CAPITAL OUTLAY BUDGET CHANGE PROPOSAL (COBCP)								Org Code:	1730
53	FISCAL DETAIL WORKSHEET								COBCP #:	1
54	Department Title:		Franchise Tax Board						Priority:	1
55	Project Title:		Mail Operations Safety						Proj ID:	90.01.090
56	Program Category:		FLS						MA/MI:	MA
57	Program Subcategory:									
58	Identify all items which fit into the categories listed below. Attach a detailed list if funding is included in this request. Provide descriptions and summary estimates for items for which you plan to request funding in the future. When possible, identify funding needs by fiscal year (BY+1 through BY +4).									
59										
60										
61	PROJECT RELATED COSTS								COST	TOTAL
62	AGENCY RETAINED:									
63										
64										
65										
66										
67										
68	TOTAL AGENCY RETAINED									0
69	GROUP 2 EQUIPMENT									
70										
71										
72										
73										
74										
75										
76										
77										
78	TOTAL GROUP2 EQUIPMENT									0
79	IMPACT ON SUPPORT BUDGET								COST	TOTAL
80										
81	ONE-TIME COSTS									
82	Furnishing								19	
83	Detection and Monitoring Equipment								613	
84										
85	TOTAL SUPPORT ONE-TIME COSTS									632
86	ANNUAL ONGOING FUTURE COSTS									
87	Engineering and Administrative Controls, Personal Protective Equipment								258	
88	Random Testing of USPS								10	
89	Others								18	
90	TOTAL SUPPORT ANNUAL COSTS									286
91	ANNUAL ONGOING FUTURE SAVINGS									
92										
93										
94										
95	TOTAL SUPPORT ANNUAL SAVINGS									0
96	ANNUAL ONGOING FUTURE REVENUE									
97										
98										
99										
100	TOTAL SUPPORT ANNUAL REVENUE									0

	A	B	C	D	E	F	G	H	I	J
101	STATE OF CALIFORNIA								Budget Year 2003-04	
102	CAPITAL OUTLAY BUDGET CHANGE PROPOSAL (COBCP)								Org Code:	1730
103	SCOPE/ASSUMPTIONS WORKSHEET								COBCP #:	1
104									Priority:	1
105	Department Title:	Franchise Tax Board							Proj ID:	90.01.090
106	Project Title:	Mail Operations Safety							MA/MI:	MA
107	Program Category:	FLS								
108	Program Subcategory:									
109	Project Specific Proposals: For new projects provide proposed Scope language. For continuing projects provide the latest approved Scope language. Enter Scope language in cell A111. If you get a message that A111 is full, continue the description in A112-A115.									
110	Conceptual Proposals: Provide a brief discussion of proposal defining assumptions supporting the level of funding proposed by fiscal year in relation to outstanding need identified for that fiscal year. (BY in cell A 111-A115; BY +1 in cell A117-A120; BY+2 in cell A122-A125; BY+3 in cell A127-A130; and BY+4 in cell A132-A135.)									
111										
112	The modifications to the FTB's Central Office location will consist of construction of permanent deck-to-deck hard walls to enclose approximately 50,000 square feet of space in the first floor of Building 1 to isolate the mail operation areas from the rest of the building. A modification of the HVAC mechanical system will be made to provide a dedicated system with HEPA filters for that area. This modification will include constructing a mechanical room to house a new air handling unit and 4 new exhaust fans with HEPA filters. In addition, the existing fire sprinklers will be modified and additional overhead lighting will be installed.									
113										
114										
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116	Enter BY+1 in cell A117:									
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121	Enter BY+2 in cell A122:									
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126	Enter BY+3 in cell A127:									
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131	Enter BY+4 in cell A132:									
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